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H.R. 4382

ENERGY MANAGEMENT PARTNERSHIP ACT

(Volume II)

HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY DEVELOPMENT AND APPLICATIONS

OF THE

COMMITTEE ON SCIENCE AND TECHNOLOGY U.S. HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

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CONTENTS

WITNESSES

May 5, 1979:

	Page
Hon. Charles Royer, mayor of Seattle, Wash.	1
Thomas D. Tatum, Director, Institutional Liaison and Communications, Office of Conservation and Solar Energy, U.S. Department of Energy; accompanied by J. Michael Power, Director, Policy Planning and Evaluation, Office of Conservation and Solar Energy, U.S. Department of Energy; John Millhone, Director, Buildings and Community Systems, U.S. Department of Energy, and Nick Fedoruk, Chief, Policy Analysis and Evaluation, EES Program, U.S. Department of Energy	21

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H.R. 4382

ENERGY MANAGEMENT PARTNERSHIP ACT

MONDAY, MAY 5, 1980

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SCIENCE AND TECHNOLOGY,
SUBCOMMITTEE ON ENERGY DEVELOPMENT AND APPLICATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice at 2:15 p.m., in room 2318, Rayburn House Office Building, Hon. Richard L. Ottinger (chairman of the subcommittee) presiding.

Mr. OTTINGER. The subcommittee will come to order.

We're resuming hearings this afternoon on H.R. 4382 and the administration's revisions to that bill, which we received on April 15, and which the administration has asked the subcommittee to consider as a substitute. We are also going to consider a staff draft of a revision of the legislation.

We have had to date two joint hearings with the Energy and Power Subcommittee of the Interstate and Foreign Commerce Committee on this legislation on February 19 and October 31 of this year.

The administration has now asked us to move the legislation as quickly as possible in order to have it qualify for the budget this year. We will proceed as quickly as we can.

Today we will have witnesses from the Department of Energy, from whom we have requested comments on the Department's revisions.

I am also very pleased to welcome Mr. Charles Royer, who has made the city of Seattle an example for other cities around the country to emulate in the area of the efficient use of energy resources.

Without objection, we will permit the subcommittee hearing to be televised.

Mr. Royer, we're very pleased to have you with us. I understand you are on a tight schedule. We're pleased to have your statement, and you may proceed. We will put your full statement in the record, and you may proceed informally or you may read it, as you prefer.

STATEMENT OF HON. CHARLES ROYER, MAYOR OF SEATTLE, WASH.

Mayor ROYER. Thank you, Mr. Chairman.

I'm Charles Royer, mayor of the city of Seattle, and I am appearing here on behalf of the National League of Cities, the U.S. Conference of Mayors, and myself to speak to the staff draft of the Energy Management Partnership Act.

I met with the staff on Friday—Skip Spensley and John Loewy—and we had a good session talking about the staff draft. I thought, based on that conversation and on my reading of the draft this morning, I would just tell you a little bit first about what the League of Cities and Conference of Mayors' positions are with regard to the legislation. Second, I will tell you as briefly as I can what we're doing in one city that might give you some insight into what our city and others might do with legislation. Finally, I will offer a couple of suggestions as to how we feel the legislation might be altered or improved.

We have been working for a number of years now, through the league and the Conference of Mayors, to develop a meaningful partnership between the Federal Government and local government with regard to renewable energy resources and energy planning.

The EMPA legislation, as drafted by the administration, I have to say frankly we don't agree with. I have told representatives of DOE and the administration, the White House, that's the way we feel about it, primarily because local government does not have a sufficient role, sufficient responsibilities, in energy planning and energy management. It's really a two-legged stool, and we believe the third leg, the cities' leg, is probably, and can be, most influential.

I would like to try to make the point that in dealing with our energy problem we are also dealing with an energy opportunity, and that thinking globally about energy, which is something we are forced to do and something we ought to do, may mean thinking more locally in terms of implementation than we have thought in the past. The point is that cities can be energy leaders, and I do have some testimony which was prepared for me to submit to the platform committee of the Democratic National Committee, which I did last week, and my own remarks to the platform committee, which I would like to submit for the record, that do deal with the topic at hand.

Mr. OTTINGER. We will be glad to receive those for the record.

Mayor ROYER. That testimony really speaks in support of the Tsongas-Williams legislation, which is cosponsored by our own Senators from Washington State, Senators Magnuson and Jackson. I believe it's important legislation because it does make the cities responsible for the kind of energy conservation and renewable resource delivery system that I believe, if accomplished across the country, would have significant impact on our national energy policy.

Mr. OTTINGER. That legislation had block grants to the cities for energy conservation purposes through HUD. Is that correct?

Mayor ROYER. That's right. It places within HUD an energy block grant program similar to the community development block grant program that HUD already has.

The logic behind that is that there is a delivery system in HUD, that HUD has the ear and has the system to deal with cities. It has a track record of dealing with cities, and that there wouldn't have to be a major realinement of the Federal organization to pull off a project-oriented block grant program through HUD.

My own personal feeling—and this is not shared by the Conference of Mayors and the National League of Cities, I don't believe—is that it really doesn't matter where it is, since the last thing this country wants to do is see a turf fight between two agencies in the Federal Government over the delivery of conservation generation in the cities. It

needs to be done as quickly as possible, and it really doesn't matter who does it. I know that DOE takes a different position, as does HUD.

Let me tell you a little bit why I think cities ought to be in the front rank of any national energy program that Congress may enact.

No. 1, when we're talking about the philosophy behind the legislation, your staff draft, and Tsongas-Williams, we're talking about conservation and renewable resource technologies which are, by their very nature, decentralized in their best delivery, in their best production. What cities do is to make literally hundreds of key decisions every single day, decisions in land-use, transportation planning, building codes, housing codes. There are 3,000 housing codes across the country that have an absolutely enormous impact on energy consumption.

Seattle is perhaps a little different kind of beast because we happen to own the public utility, the electric company. We run that through the city. There are a number of other cities in the country that have that same advantage. But through the management of our utility and through a series of conservation strategies that we've adopted, we've learned that maybe the single most important ingredient in getting conservation kilowatts generated is citizen participation.

Citizen participation these days is very easy to get. Not only is everybody an energy expert today, but there is a tremendous motivation on the part of individuals to get involved in affecting the bottom line in their house, in their car, in every activity they do that is energy-intensive.

We are about to raise the rates to our customers of the public utility by 36 percent, primarily because our own OPEC, the one on the Columbia, the Bonneville Power Administration, has raised our rates by 110 percent, and we buy 30 percent of our power from Bonneville. But passing on that kind of rate increase sends a really stiffening price signal to people in our city, and they want to respond by cutting down their energy consumption. They also want to respond by working with the city in trying to come up with conservation strategies, and what we've done through that citizen participation element in energy planning in Seattle years ago is to decide to embark on a planning effort that would take us into 1990. We called it "Energy 1990." The planning effort was imposed on us because we were confronted with a decision as to whether to participate in two new nuclear plants.

We had a long, involved, and sophisticated public debate, here the council at the end of that, after about 1 year, decided that we should not participate in those two plants, but rather we could get the same number of megawatts out of a conservation program if we adopted it in good faith, stuck to it and made the necessary investment to make it happen.

Out of energy 1990 came an energy building code, which simply reduces by half the amount of energy that a commercial building uses in Seattle. One of the bank buildings in Seattle uses about 11 megawatts of electricity. The same bank is building a bigger building, more energy intensive, because it houses a computer center and is going to use 6 megawatts of electricity simply because of sophistication in new construction and because of a building code imposed by the city.

That building code now is in force on all new construction in the city.

We also are adopting as a result of energy 1990 a mandatory home weatherization requirement. I might say a very difficult thing politically to do, but we have decided that our single-family homes through four-plex living units in the city will have to be weatherized over a 6-year period, 4 years of voluntary compliance followed by 2 years of mandatory compliance. But we believe we can save upwards of 12 megawatts of power, which is 1 percent of a big nuclear plant. It doesn't sound like much until you start adding up all the different megawatt demands in your city.

We have a committee now, partially funded by DOE, which is called the energy limited committee. It is moving the city away from electricity planning into fossil fuels planning. We're beginning to look at the total end-use demand of energy in the city, and out of that effort, which has now gone on for about 1 year, we hope to adopt local strategies to help us deal with conservation in the fossil fuels area.

Out of that, out of the community development block grant program, and out of the energy limited committee we have decided to embark on a neighborhood energy program. I don't know how many of you remember the LEAA program called "block watch" that was demostrated in several cities around the country to try to deal with burglary. We feel a far more serious burglar in our city is the cost of energy, and that that "block watch" program, which brought people together, marking their household goods, watching their neighbors' houses, that kind of ethic in a neighborhood can be brought to bear in the energy conservation opportunity.

So we're taking a neighborhood this year, inventorying it for energy consumption and total energy end-use, and then in that neighborhood, which will be a kind of laboratory for the city, try to adopt conservation and resource generation strategies. These strategies can be written down and appreciated, and then emulated throughout the city, much the way the block watch program was done.

We also have a citizens' rate advisory committee that participates in our rate increases. It might interest you to know that the 36-percent rate increase that was before the citizens' rate advisory committee now is something like a 43-percent rate increase because the citizens believe we're not making enough of an investment in conservation and that we ought to add onto the rate increase, already the largest in our utility's history, to make that conservation investment.

In short, I think that the citizens in our city and in many others are, number one, informed about the energy situation. They're probably better informed than a lot of us, especially when we're sending them such price signals. They begin to find out what's going on. They are most interested and motivated in helping us, and that's where the block grant idea, I think, gets some of its substance.

The way we try to use block grant in our city is to try to stimulate for flexibility with those dollars that are available. A lot of it's obligated over a 5-year period. With those flexible dollars we try to stimulate innovation in new programs and new thinking and move those block grant dollars around to excite innovation and new ideas through neighborhood projects, or what-have-you.

I believe the same thing could be done under the block grant approach, as anticipated in Tsongas-Williams and your staff draft. It is not just the dollars represented in the legislation that is important to

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the city, and my brethren in the cities might kick me for saying that, but really the most important thing I believe that can be done with this legislation is to put a structure in place that would provide a delivery system for capacity building in cities that don't have capacity to deal with the energy opportunity in their own cities, and for some small amount of project money, and everybody knows that this is no time to talk about new appropriations or new authorizations in the Congress. But with this structure in place, a signal is given to those interested and motivated people and those city governments that are doing a good job that somewhere down the line with proper planning there is going to be a mechanism for putting into place some energy conservation and generation projects. So it's not just the dollar amount that we're concerned about.

I think the staff draft that you have is not a bad compromise between EMPA and Tsonga-Williams, frankly. The 2-year competition program and, say, the 1983–85 block grant program would provide, I believe, cities that have prepared some projects through the competitive process and also for cities that are trying to prepare, that are trying to build the capacity, would provide them with some opportunity to get, through a competitive program, energy planning and management capacity in their own city. This would prepare them for perhaps delivery under a block grant approach.

I'm winding up here, but one suggestion about the competitive program is that in our draft it could be divided into two parts: a planning or capacity building piece and a project piece. Cities just beginning to get into the conservation act and cities that are already there, such as Seattle, could come in for projects.

On the State situation, let me just tell you that in our State the energy office is run by a loaned executive from the private gas company, and there was legislation to abolish it in the legislature this last year. I believe Idaho has nearly abolished its energy office.

The State is not in the position that the city is in to influence those land-use and other energy decisions, and it is just not geared up. I'm not saying it shouldn't be. But those governments closest to the people that look at discrete neighborhoods and look at institutions that can save energy are in a position to do something.

Our city utility just sent an energy auditor into a Sears store the other day. They wouldn't let us in for a year. But we sent an energy auditor into a Sears store in the city of Seattle. We recommended where they could spend $9,000 to save $45,000 and to save some kilowatts. Now they think the energy conservation effort in the city is the best thing that ever happened.

That kind of thing, some of which was done through, I believe, it's the Energy Extension Service Act, through the cities can really work.

The National League of Cities and the Conference of Mayors are prepared to work with you and to try to help perfect a piece of legislation that would pull the cities in as partners. We want to work with the States, but in some areas working with the Federal Government, in housing, in health, in block grant, and in some other areas, the UDAG programs through HUD, we've developed a partnership relationship that is not always just based on dollars, but is based on leverage and a kind of shared goal.

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I don't think maybe in Washington you always add up the cumulative impact in the country. Certainly, to try to add up the kilowatts, we saved 125 megawatts in 1979 in Seattle. That's 10 percent of the nuclear plant that's shut down 80 percent of the time down on the Columbia River. But that's a big saving.

I think if you look at the country as an opportunity to generate, through the citizen generators of electricity conservation, kilowatts that you'll add up to a whole lot of generation which because of siting problems and other problems you just can't get on line today.

[The prepared statement of Hon. Charles Royer follows:]

TESTIMONY OF HON. CHARLES ROYER, MAYOR, SEATTLE, WASH., ON BEHALF OF THE NATIONAL LEAGUE OF CITIES

Mr. Chairman and Members of the Platform Committee, I am Charles Royer, Mayor of Seattle and a Member of the Board of Directors of the National League of Cities.

The National League of Cities is a nonpartisan organization representing 15,000 cities across the Nation. City officials, serving on five committees and representatives of the entire NLC membership, meet several times each year to develop and update policy on numerous areas of urban concern. These policy positions are discussed, amended, rejected, or approved by the full membership at our annual Congress of Cities. It is in my capacity as a Board Member of the National League of Cities that I want to share with this distinguished Committee NLC's specific concerns in the energy policy area.

While this committee meets today, national anxiety and concern continues to focus on the future availability of adequate energy supplies, particularly petroleum from foreign countries. To deal with the expected shortfall of liquid fuels from abroad, extraordinary measures such as gas rationing, higher gas taxes, and mandatory conservation programs are now being actively considered by Congress and the Administration. These measures, if enacted, are short term in nature, designed to cut overall consumption until the Nation can substantially increase domestic production and, consequently, reduce its reliance on imported oil.

Unfortunately, however, our ability to increase domestic production of conventional oil and natural gas liquids is being seriously questioned, most recently in a study by the General Accounting Office. The study contends that "it is very unlikely that U.S. petroleum and natural gas production can be increased above, or even held at current levels." NLC believes that even if the study is overly pessimistic, it is inevitable that national energy policies will place greater emphasis on energy efficiency, energy conservation, and the development of renewable resources.

For the past 3 years, NLC has consistently supported Federal policies and programs that improve energy efficiency, promote energy conservation, and stimulate the accelerated development of renewable energy resources. This energy policy was underscored by the Harvard Business School Energy Project Report, "Energy Future," which concluded that improved energy efficiency and increased renewable resource development are the preferred, and perhaps only, near-term energy production strategies available to us over the next decade.

The development of renewable resources and energy conservation is further emphasized by NLC's long standing policy of urban conservation. "Urban conservation" means that urban resources must be maintained and improved and that new urban growth must be channeled so that it supports—rather than undercuts or competes with—existing useful development. Energy efficiency improvements and renewable resources, when applied to existing urban infrastructure, can significantly enhance the economic stability of the urban area by reducing net cash outflow resulting from the purchase of energy supplies.

Conservation and renewable resource technologies are, by their very nature, decentralized energy production. Therefore, the manufacture and installation of these new technologies will often draw upon locally based small business and local labor resources reinforcing the policy of urban conservation.

It is, therefore, regrettable that the national energy debate continues to emphasize the development of energy resources that work to the detriment of urban areas. Federal energy policies that promote major capital investments away from

urbanized areas and into remote, nonurbanized areas undermine existing national urban policy objectives.

For example, the current enthusiasm for synthetic fuels is not shared by many city officials. Synthetic fuel plants will be sited close to the source of large quantities of accessible coal, primarily in rural, low-density, western counties. The construction of these plants will draw heavily upon skilled labor that will migrate to such areas from urban areas and, consequently, will stimulate new economic activity completely outside existing urban areas.

And, of course, once the synthetic oil or gas is produced, consumers in urban areas can expect to pay higher fuel bills for this new energy supply. The urban economy will continue to export more of its capital, which is needed for local development needs, in the form of increased payments for energy supplies produced elsewhere.

In contrast to synthetic fuels, energy conservation improvements and renewable resource development hold real promise for the cities and the Nation. We believe the full potential of these energy resources lies in their stimulus to the urban economy through increased employment opportunities, the creation of new business activity, and reduced dependence on outside sources of energy. Unfortunately, current Federal energy policy fails to provide adequate incentive and assistance for these important energy investments.

The greatest challenge of this decade is increasing domestic energy production through improved energy efficiency and new sources of conventional and alternative fuels, while at the same time meeting other pressing national objectives, such as employment, economic development, environmental improvement, and urban rehabilitation. In meeting this challenge, a renewed effort must be made to involve as many people, both in private and public institutions, as possible. Unfortunately, Federal policy continues to reinforce centralized energy problem-solving through Federal and State action at a time when the most appropriate near-term energy strategies—energy conservation and renewable resource development—require more decentralized action at the local or community level.

Many cities, including Seattle, have already demonstrated the potential of a decentralized approach to energy problem-solving. Energy conservation and renewable resource development programs and measures can be matched to specific energy end-use needs, and immediate reductions in energy use can be quickly quantified.

There is also an even more compelling reason why local governments must be more fully utilized in promoting energy efficiency throughout this decade. As you know, local officials, through their land use decisions, often determine a community's future patterns of development and, consequently, significantly influence how efficiently energy will be used in the future. Yet Federal energy policies continue to ignore or downplay the importance of local government involvement in this effort.

NLC believes that ultimately Federal energy programs and policies will recognize the importance of community-based energy management. Cities throughout the country are now moving forward with a wide range of community energy activities; NLC believes that Federal grant assistance is essential to further stimulate and promote these actions.

Consequently, we urge this Committee to support a comprehensive local energy conservation grant program of the kind now being considered by the Congress. Such a program should involve broad block grants to enable local governments to set local conservation goals, adopt strategies to meet these goals, and undertake necessary programs and activities to promote energy conservation. In our view, more can be achieved through such a Federal effort—both in the short- and long-term—than any other policy approach.

In closing, Mr. Chairman, I would like to thank the Committee for this opportunity to present NLC's views.

Mr. OTTINGER. Thank you very much. You certainly have done a very creative job in Seattle in involving citizens and getting support for the kind of effort that can really be productive in conserving energy.

The thing that bothers me about the block grants is that all cities aren't like Seattle. I worry about just putting a bunch of money out there. In some cities I'm afraid it would be put out on contract to some relative of one of the public officials to do work that might not

be central to the conservation area, and treated as a pork barrel. That's why we prepared the staff draft, to try to do this on a competitive basis.

I always have a tendency to favor the grant going to the place where it's actually going to be used to minimize the number of bureaucratic hands that are going to operate on it. But I think that we probably have to be somewhat flexible in areas that have very aggressive State programs. We ought to permit them to compete. Programs in areas where the States don't play a major role, where it's really the local communities, the cities or counties, or villages, or towns, down in the Louisiana parishes, say, where they're doing the work, let them come in and have the funding go out on the basis of the merits of the proposal. That is the thinking behind the draft that was put forward.

We have with us today Congressman Donald Pease from Ohio, who is not a member of the subcommittee. He is a member of the full committee and he has really been very interested in this. I would like to welcome him to the subcommittee and ask him if he would like to ask any questions.

Mr. PEASE. Thank you very much, Mr. Chairman. I appreciate your hospitality and your indulgence.

I certainly want to thank Mayor Royer for some excellent testimony. It was just fine.

I am particularly interested in the Energy Extension Service.

Have you had any experience with the Energy Extension Service at all?

Mayor ROYER. Yes, sir. We used it in the city in an energy audit demonstration, where I believe we had energy auditors out in a neighborhood looking at weatherization opportunities. It was a grant that I believe came through Washington State University.

Mr. PEASE. We've had pilot programs, and Washington State apparently was one of the States chosen, and the money was run through Washington State. Was it through their Cooperative Extension Service? There are a variety of ways it can be done. A lot of State universities have Rural Cooperative Extension Services. It seems to me that the EES has a lot of parallels to that university.

Mayor ROYER. Washington State is over in the eastern part of the State and it is the agricultural wing of the State system, and they do have a cooperative. I'm not terribly familiar with how it works, but I believe the grant was funneled through their extension service there.

Mr. PEASE. Do you have any personal feelings as to the efficacy of the program in your own city?

Mayor ROYER. I have no reason to believe that it is not a good program. It is not, clearly, enough to really force local planning.

One of the things that block grant has done is that in getting ready for block grant the cities, some of the cities, that did it right prepared an approach to the advent of block grant. No. 1, we did a tremendous amount of planning, early planning, that was forced on us by the opportunity of that program. Second, I think we tried to plan responsibly over a longer period of time. We didn't just look at this year, what is the pork for this year. We looked at what do we want to accomplish over a longer period of time, and we have a 5-year approach to our block grant dollars in Seattle.

I think that forcing many cities to plan energy conservation and renewable resource generation can be done through that opportunity of block grant down the road, and you don't have to throw a program out on top of them and say "Spend some money."

But should you make a commitment to go with that block grant approach I think you'll begin to see a number of cities begin planning, and a lot of them responsibly planning, to use that opportunity.

Mr. PEASE. The amount of money suggested for the EES, Energy Extension Service, is about $25 million.

Do you have any notion at all of what an optimum level of funding would be for that program?

Mayor ROYER. No, sir, I wouldn't.

Mr. PEASE. You said in your testimony, Mayor Royer, that you have a weatherization program. The first 4 years is voluntary and after that it's mandatory. Is that correct?

Mayor ROYER. Yes, sir.

Mr. PEASE. Does your city plan to offer any services to people who want to weatherize in the next 4 years?

Mayor ROYER. We had a measure on the ballot in the last election that would allow—we have a problem that 13 to 20 other States have in varying degrees, and that is we can't loan the State's credit. It's difficult for us to make the private-public partnership work because we can't loan out money to a private organization or a private person. We had an amendment to the Constitution on the ballot that would allow our utility to make low interest or no interest loans to low-income people for weatherization purposes. We can now do that.

My bottom line on the home conservation requirement was that we had to have a loan program that covered everybody, regardless of whether they were electric customers. So we're trying to put together a revolving loan pool now involving the savings and loans and our friends at HUD through the UDAG program to provide the capital for the $1,500 to $2,000 in some cases weatherization projects that would go on. That program is now being debated before the city council, and I have to say that it is not the most popular because of the mandatory nature. But we felt the only way to get equity in that program is to make it mandatory.

About 40 percent of our single-family homes are insulated to our standard now. Most people have done it voluntarily.

Mr. PEASE. It's your assumption that most of the weatherization will be done on a commercial basis, and that the problem is really getting the up front money for people who want to weatherize?

Mayor ROYER. I think with many families today, regardless of income, a $2,000 new commitment is difficult. It doesn't sound like much, but I think for many families it is difficult. If we could provide low-interest loans, it is cheap electricity that we can't generate in big central station plants, and I think it's a legitimate public purpose to generate electricity that way.

Mr. PEASE. I quite agree.

The thing about the EES that intrigues me is the parallel between that and the Agricultural Extension Service, where experts go out in individual homes on a hands-on basis and say, "If you want to put in insulation, this is how you do it. If you want to weatherstrip your

doors, this is how you do it," and so on, and there the emphasis is more on providing the knowledge of how to do it for a person who is quite willing to put in his own labor, as opposed to allowing that person to borrow money and go out and hire a commercial firm to do that.

Is there a technical expertise side of your program as well as a loan program?

Mayor ROYER. We do what you've described now for low-income people. We have weatherization programs both through our utility and through the Department of Human Resources. We provide the technical expertise, and where someone can get the work done. There are a lot of aluminum siding salesmen in this business so we try to have a consumer protection element as well.

Mr. PEASE, Thank you very much.

Mr. OTTINGER. Mr. Royer.

Mr. ROYER. Thank you, Mr. Chairman.

I'm sorry that I didn't get here in time to hear your testimony, and maybe some of the questions that I'll be asking you've already answered.

One of the questions was with reference to the energy block grant programs, whether they should be administered by DOE or HUD. Did you respond to that particular question?

Mayor ROYER. Yes; I did.

My feeling is that HUD has a good relationship with the cities and, frankly, DOE in the drafting of the EMPA bill has not demonstrated a real commitment to the city partnership, or the city role, in energy planning.

As the chairman suggested, in some States—and I think Michigan is probably an example, and some others—where the States are doing a very responsible job and have sophistication and expertise that would work all right. It would not reach the neighborhood level, where I believe the greatest number of kilowatts are to be found, but it would be better than what we have.

In our State there is no State energy planning. There is no State energy office for all intents and purposes. Ours is a State with one big city and a whole lot of small ones, with a lot in common, but difficult to reach institutionally from the State.

My feelings on putting it in HUD is that you might take advantage of a delivery system that is in place that works where all the linkages are made. DOE would have to, I would think, undergo some changes internally and make, and create, those linkages. I don't think there's a question of philosophy of DOE versus HUD. I think there is tremendous expertise in DOE, technical expertise, that certainly ought to part, and I think it is in Tsongas-Williams and in your staff draft, part of the mix. For the block grant portion the feeling is use what is there. As I suggest in my testimony, though, I think the last thing we want to see is a kind of ownership battle between two Federal agencies when the need is so great to get something on the street as soon as possible.

Mr. ROYER. I guess the other question I was wondering about is in the energy planning itself. I understand that your city is well out in front in this particular area, and I think you should be commended for that.

Some of the testimony that we've heard indicates that there should be more research and development before we move into a major program. Maybe again, you've respond to that when I wasn't here.

Mayor ROYER. I think there is a pretty good analogy between what you're talking about with the energy block grant approach and the community development block grant program. When the community development block grant program was anticipated, cities decided to do some planning as to how they would use that money in their critical neighborhoods, in their failing neighborhoods. I know Seattle did the planning work and put together an approach to block grant, and I think if you were to stimulate that kind of planning through the promise somewhere down the line of an energy block grant effort aimed at conserving energy and generating new energy at the base level that you would force cities to start looking, without a whole lot of cost, at their whole energy approach. I think then if you wanted to, you could not do the programing, and you could get planning started pretty cheaply. But I think the result would be that you would force cities to start doing what most of them should be doing and aren't doing now.

Mr. ROYER. I think you touched on, and I didn't get your full opinion on, your preference between the block grants and the competitive system.

Mayor ROYER. I think in a competitive situation you would get the cities of Seattle and Portland and probably Minneapolis, St. Paul, a couple of cities in California. You would have those cities winning the competitive grants because there are a lot of cities, with a population of 30,000 and in that range with some planning capacity, that could compete. Now, unless they happen to live in a State like Michigan or a couple of others, they just wouldn't have the ability to apply, to go through the numbers that you have to go through to apply and win a Federal grant.

Mr. ROYER. Do you anticipate then a phasing in to the competitive system from the block grants program?

Mayor ROYER. No. The competitive program would be first and it should be split, say, one piece of it being project-oriented for those cities that have done the planning and are ready to implement a small project, and two, a competitive program for planning capacity, where you could evaluate the cities' ability and seriousness to plan, and then the award would not be a project but the capacity to do the planning. But that would be an intelligent way to go about it.

Mr. ROYER. Thank you very much, Mr. Chairman.

Thank you, Mayor Royer.

Mr. OTTINGER. Mr. Walker from Pennsylvania.

Mr. WALKER. Thank you, Mr. Chairman.

I only wish that I had the feeling that some of the energy money that is said to be in this program could have provided the Sonics with some additional energy to help them in the second half. The reason why I say that is because I have a brother who plays for the Sonics, so I was watching very closely their lack of success at the end of the season.

Mayor ROYER. Wally did a terrific job.

Mr. WALKER. I'm very disappointed that they're not in the finals at this point.

I am concerned, I guess, about the extent of the program, primarily from the standpoint of financing on it. When I look at the balanced budget concept that we're supposed to be working with here I just don't see where for this particular kind of effort we're going to come up with the money to go forward on it. So my concern starts from that angle because I tend to be an enthusiast for block grants. I think that's probably what we ought to do with a lot of categorical programs, convert them to a block grant kind of program and give discretion at the local level for good programs.

One of the suggestions that has been around here in the last few weeks since we've looked at revenue-sharing in particular, revenue-sharing being a form of block grants, is that what we would say to the localities is, and we say this patricularly with State revenue-sharing:

> All right, if you take the block grant money or the revenue-sharing money you cut some categorical programs that you replace, then, with discretionary money.

Do you see that as a viable option in funding this particular program? Do you think that the cities would be willing to say they will not take this money from the Federal Government here in order to get the block grant energy assistance money?

Mayor ROYER. I would respond to that in two ways.

One, those are exactly the instructions I gave to my own department heads this year. New programs will come out of old money, a kind of Aladdin's lamp budgeting approach.

Second, I think you're looking at the wrong place for a comparison of expenditures. Half a billion dollars doesn't sound like very much to me for an energy program; $5 billion doesn't sound like very much. That's because we're involved in a program out in Washington State to build five nuclear plants that started at $3½ billion and are now up to $16 billion, and not 1 kilowatt generated—$16 billion. Now, my opinion is that that's half the housing budget of the Federal Government for these five nuclear plants. If you compare that expenditure and the kilowatts it has produced or will produce versus a Federal expenditure of, say, half that, $8 billion, that is not a very bad buy.

I dont' mean to be a smart aleck about it. Those numbers are really as bizarre as they are.

So of course there are real budget constraints and any new authorization has just got to be justified minutely. But I think we ought to make real comparisons. What are we sending nationally to generate electricity, to generate energy? Can we generate comparable or near comparable amounts through smaller scale decentralized strategies and approaches that are affordable within the Federal budget? And I think that you ought to make that sort of comparison as opposed to comparing the energy expenditure to the HEW expenditure or something else.

Mr. WALKER. But one of the problems that we have around here is that for years the reason we have ended up with a $50 billion deficit, which has had an impact on those nuclear plants, is because the Federal Government has forced up the interest rates and everything along the lines with our proliferate spending policies. So that just the very fact that that kind of situation exists is in large part the fault of the Congress. For years we've heard the arguments around Washington

that if we just keep spending the money we will be saving so much more down at the other end of the line, but we just keep spending the money for all these savings that we never seem to see the results of, and yet we do know that the end result of all of that spending has been absolute fiscal irresponsibility.

So I think it is a legitimate question to ask. This subcommittee has already reported an authorization to the full committee which is so horribly out of balance with a balanced budget that it's almost unbelievable, and this will pile on about another $120 million or $110 million on top of what we've already reported, which is $100 million over the budget.

I guess my question is what are you willing to see cut in order to get, as I understand you're testifying, is a terrific program on-line in local areas?

Mayor ROYER. We are willing to accept, and will, I'm certain, accept, a reduction in, an abolition of the State's share of general revenue-sharing. That's the cut. We have taken already——

Mr. WALKER. That's already in the budget. So that's gone. You've already taken that cut. We're talking about cuts over and above what's already there.

Mayor ROYER. The cut in the Federal housing budget. We have a housing crisis in Seattle. We're trying to weatherzie houses. We ought to be building them too. But we're taking an enormous cut in the level of Federal spending for housing.

Mr. WALKER. But again that was already in the budget.

You see, this item we're talking about here is not in the budget. We're talking about money that is over and above what is in the budget.

Mayor ROYER. There is about $120 million, I am informed, in the budget for this, and I don't if that's, as I responded earlier, too much or enough in terms of what we can afford to do today. All I'm saying is that if the structure is put into place. If the signal comes out from the Congress that a Federal energy policy will include people who can really do something about reducing the amount we consume and, therefore, generate energy that is lying dormant in plants that aren't completed and oil that's not coming out of the ground, then that would be a tremendous signal to the country and would excite a planning process and a development process at the local level that could really pay off in new energy in the future.

Mr. WALKER. Let me ask you a specific question.

Would you, for instance, be willing to take a cut in general revenue-sharing funds in order to fund this specific prgoram?

Mayor ROYER. We've taken about a 60-percent cut since the program began.

Mr. WALKER. But a specific monetary cut in the program, just like the States are taking a specific monetary cut. They have also suffered the inflationary cut. But a specific monetary cut in general revenue sharing.

Should that be taken to fund this?

Mayor ROYER. No, sir. I would say no.

Mr. WALKER. OK.

There are 17 items that would have to be developed in order to qualify for the block grant. I would question how much innovation

68-406 O - 80 - 3

we're going to get out of something that would require all this kind of specificity in order to qualify for the block grant. For instance, I see there are a number of duties that would be imposed here.

How long do you suppose it would take for Seattle to develop this comprehensive plan that is detailed here over about three pages?

Mayor ROYER. Seattle has one, and I would think that when you talk about, for example, one of the elements in the legislation, is that you have an end-use energy analysis of the unit, whether it's the State or the local government. We have one of those in Seattle. It is an effort, part of the planning effort, to develop that, and if a city doesn't have even the foggiest notion of how much it's consuming, a governmental unit, how much it's consuming, then something needs to be done to get that city interested in finding that out. I think that's one of the good things in the legislation, that it does, in fact, force a city or a State to look at what it's doing, and write it down, and go through a public process where people understand what their Government is doing and what they as consumers are doing with energy.

Mr. WALKER. Can you tell me, for instance, what's in the Seattle plan? I assume this was developed through a citizens' advisory committee, your plan.

Mayor ROYER. In my testimony I talked about the planning process that began several years ago in Seattle, stimulated by, as almost all of our planning is done, either by a crisis or by an opportunity. In this case a little bit of both, an opportunity, if you will, to participate in two new nuclear plants, two-fifths of that $16 billion. And, incidentally, I don't blame the Federal Government for that mess. I blame us for that mess.

Mr. WALKER. But specifically this says that you have to have a citizens' advisory committee develop the plan.

Mayor ROYER. Yes. We had that several years ago in developing the Energy 1990 plan, which set a conservation target which would be electricity in lieu of electricity generated from the nuclear plants. We have a continuing citizens' advisory committee on the rate structure.

Mr. WALKER. But is that a 3-year comprehensive program that's called for in here?

Mayor ROYER. This was Energy 1990, done in 1977, so it's a 13-year program.

Mr. WALKER. But this calls for a 3-year comprehensive community energy conservation strategy, and one of its requirements is that it be developed by a citizens' energy advisory committee.

Let me ask this: Can you tell me, for instance, what is in your plan with regard to long-term employment opportunities?

Mayor ROYER. In the weatherization programs that we now run and we will run we have a backlog of 200–300 cases that we can't get to because we don't have enough people to do it. The industry isn't yet geared up enough to deliver the weatherization in Seattle. We have linkages with our manpower program through the manpower consortia, where we try to put people to work, hard core unemployed people to work, in the weatherization program.

Mr. WALKER. But isn't that short-term employment? This says that you have to have a description of long-term employment opportunities that result from energy conservation and renewable resources projects. I wondered what your plan had on that.

Mayor ROYER. We can point to three or four new firms that have grown up around conservation and new small source generation.

Mr. WALKER. Were they a part of the strategy developed in your plan?

Mayor ROYER. What the legislation asks you to do is to write down the strategy, and we would write them down.

Mr. WALKER. OK.

What does your plan include with regard to energy emergencies?

Mayor ROYER. We have a set of State powers. Over the last 2 years because of the gasoline shortage we developed, a local plan which gives the mayor certain emergency powers for allocation in pratnership with the State.

Mr. WALKER. Are those conservation strategies?

Mayor ROYER. They could be looked on that way. The mayor has the authority to set hours, opening and closing hours, for service stations.

Mr. WALKER. Do you have a nuclear emergency evacuation proposal, for instance?

Mayor ROYER. We have an emergency preparedness plan, which I believe the Federal Government requires us to do to get some civil defense money.

Mr. WALKER. Another thing it calls for in here is a projection of the timing and amount of savings in nonrenewable energy consumption.

Do you have that in your strategy?

Mayor ROYER. I'm sorry, sir. I didn't hear that.

Mr. WALKER. It calls for a projection of the timing and amount of savings in nonrenewable energy consumption.

Mayor ROYER. Since our system, our local system, is renewable, a hydroelectric generation system, we don't have a long-term nonrenewable strategy.

Mr. WALKER. I see the chairman is waving the gavel here, and I'm sure I'm over my time.

What I'm getting at here is the fact that, not to put you on the spot about Seattle's program, and I have a feeling that you have one of the best programs in the country, this would be an absolutely massive problem for communities that have absolutely no idea where they're going whatsoever. This is a block grant that in order to qualify for the money here, even going as far as you have, there is some question about the details. I'm wondering about the cost of administering a program like this just to come up with the 3-year strategy in order to qualify for the program to begin with.

Im thinking what about a small town. Good heavens, some small city like Lancaster, Pa., would have to devote hours and hours and hours of employee time to developing something this comprehensive, wouldn't they?

Mayor ROYER. I don't know Lancaster, but I think in my own State I can compare it with a small city, and I think you are probably right. One, they don't have the capacity to do the kind of thing that's outlined in the legislation. But that's precisely the problem we're trying to get at. There are new kilowatts, new pure energy to be generated in that small town that with sophistication that now exists can be had for a relatively small price. They can develop the capacity in their own city to generate new energy, and if we let them go, assume that they

don't have the capacity, never will, and we never try to stimulate it. I think we're missing a real great opportunity for new energy.

Mr. WALKER. Thank you, Mr. Chairman.

Mr. OTTINGER. The time of the gentleman has expired, but I let him go on because I thought that his question ought to be addressed.

We have with us the gentleman from California, Mr. Brown. We're glad to have him with us in these hearings. You are welcome to ask questions.

Mr. BROWN. I have no questions. Thank you very much, Mr. Chairman.

Mr. PEASE. Would the gentleman yield?

Mr. OTTINGER. I'll be glad to yield to my friend from Ohio.

Mr. PEASE. I thank the chairman again for his indulgence.

Mayor Royer, I want to get at what Mr. Walker was saying before. It seems to me that in the situation he described it's a no-win situation. The cities can hardly be expected to want to reduce their other Federal programs in order to put this in. On the other hand, at a time of need for balancing the budget it's hard for us to generate additional new programs. Mr. Walker seemed to suggest that the United States is doing the cities a service, a favor, by providing this money. I wonder if it isn't possible that it's the other way around, that the cities are providing a service to the United States by doing the grassroots extension work in energy, which is really a function of a national energy policy.

If I understand you correctly, you're basically talking about conservation as a way of saving the need for additional generating capacity and providing an additional saving of money instead of adding kilowatt capacity.

I wonder if a better parallel might be the synthetic fuels program, where we are about to appropriate funds up to $20 billion to develop a synthetic fuels capacity in this country which would save as much as 2 million barrels of oil imports a day. If we could save the equivalent of 2 million barrels per day by conservation, and it's almost an identical program, I would wonder if the additional funds for the activities such as you're interested in wouldn't wisely come from the windfall profits tax which we are using for generating additional fuel. It's the same thing. Either you use less or you generate more fuel or more kilowatt capacity, but the outcome is the same.

Would you agree with that?

Mayor ROYER. I believe in the main, yes, that the Federal Government seems to me to have a choice, and it seems to me what the Federal Government has decided, or appears to be doing, is waiting for a big fix, as we always seem to do in this country. Let's get a big program going; let's do it the way we did during World War II; and beat this thing on Friday with a big synthetic fuels program or a big central station generation kind of fix. The generation we're talking about—and conservation is generation—in the regional power bill which is before the House now, the northwest regional power bill, we actually get credit from the Bonneville Power Administration for every kilowatt we conserve in Seattle. You can trade that in just as if you generated it in a nuclear plant. It is new generation, and it does come rather quickly because it comes from individual units on two legs in

their homes and in their neighborhoods, and it can come quickly, and it can come year after year after year.

I think that the comparison one ought to make with dollars in terms of expenditure, what is the level of expenditure, is to compare what we're spending on energy or energy fixes, not to compare it against the HEW appropriation.

Just one quick one: We're spending more than $70 billion, I think it is now, in the country on imported oil.

Mr. OTTINGER. It's $90 billion this year.

Mayor ROYER. $90 billion this year. I've been out of town for a couple of days. It's gone up.

But the assessed valuation of the city of Seattle is about $10 billion. Now, you could buy a lot with a lot less than those astronomical figures we're talking about, and quickly, I think.

Mr. PEASE. Thank you.

Mr. OTTINGER. I would like to see if I can get some agreeme it from my Pennsylvania friend as to where we're actually at in our budget on this program because I think it's important that it be correct on the record.

As I understand it, the EMPA proposal is for $151 million. That is, DOE's request is for $151 million for the program.

Mr. WALKER. In the March budget?

Mr. OTTINGER. $126 million in the March budget, of which $78 million is presently included in the budget that we passed out of the subcommittee, with which the gentleman, I understand, still has some dissatisfaction.

Mr. WALKER. Yes, sir.

Mr. OTTINGER. And the remaining $68 million of the $151 million in the original budget was designed to come from the funds set aside at the instance of Senator Tsongas in the special Solar Conservation Fund from the Synthetic Fuels Corporation Appropriation in 1980. So that above and beyond that which we already have in our bill there would be no additional funds that would have to be authorized this year. That is my understanding of the current situation.

I'll be glad to yield to the gentleman from Pennsylvania.

Mr. WALKER. I appreciate it. Thank you.

I'm still troubled. I have problems, to begin with, with us operating on the January budget when, in fact, what we're supposed to be doing is operating on the President's new budget, which is supposedly balanced. Now, he's been taking it out of balance by saying he's going to come back for CETA money and all this too. But nevertheless, if you operate from the March budget I think that that's the funding level that we have to start with as a base. I'm not buying your starting with the January budget, to begin with.

But I was just discussing with the staff the possibility of coming up with something which combines some of these categorical programs into a bill which really authorizes no new funding over and above what is in there for the present categorical programs. Then I think that the concept of going to a block grant approach has some merit to it over continuing to fund the categorical programs.

Mr. OTTINGER. I think in terms of funding that is something we can consider.

How important is it to the cities—speaking now in your capacity of spokesman for the League of Cities—to get this kind of assistance in order to be able to carry out the kind of conservation program that we're discussing? Do the cities generally have the capability of doing this without Federal assistance?

Mayor ROYER. I think cities—well, I know in my own case, looking at the 1981 budget—No. 1, the cities don't have the revenue flexibility and the capacity to generate the new dollars that it would take. No. 2, some of us are working under constitutional constraints that don't allow us to pass that money through, and it does take a public-private partnership to make it happen. Probably No. 3 is that cities are at the end of the line. The States now, when they are accepting that cut in general revenue sharing, they're going to pass that cut along to us. They often pass programs along to us without any money, mandate programs, but now they're going to pass that revenue-sharing cut along to us because we didn't take a cut in revenue sharing. They're going to share that with us. And having lost, and some cities have used CETA, some have used it really well; nonetheless, it's all but gone, and it's really unworkable in Seattle now because of the limits.

We are losing even a piece of our block grant money, it looks like. Revenue sharing, as I suggested, we've lost about 60 percent of its buying power because that has not been increased. A lot of the categorical programs that many of us would like to see consolidated are either cut or gone now or unusable in some cities, and there's just nobody else to pass it on to.

In our city we are not only passing on a 36 percent utility rate increase, electricity increase, a 40-percent increase over the next 4 years on water and sewer and garbage, license fees and business taxes, those few revenue sources that we have because we don't have a city income tax. I doubt, given the climate, that we'll ever have one even if it is a good thing to have. We just don't have the revenue. I know you hear that from people all the time, but I think with cities that's the case. Our unemployment now is approaching 7½ percent, and we're going to be coming back to the Congress and talking countercyclical legislation again with you as we approach real unemployment problems in the city.

So I guess the answer is that even with such a good buy we'll continue to do it in Seattle, and we spend considerable dollars on conservation. We'll continue to do it. But I doubt that many cities will start it up as a new program.

Mr. OTTINGER. It's my understanding that where you come out on the bottom line in competitive grants versus block grants is that you would prefer to have competitive grants for the planning portion of it and a block grant program for the program implementation part of it for cities that already have satisfactory plans. That means to even qualify the block grants would only go to cities that have already received approval of plans. Is that correct?

Mayor ROYER. That is correct.

Mr. OTTINGER. I'm concerned about not seeing this on a formula basis where every community is going to get money regardless of how they're going to use it.

Mayor ROYER. No; No. 1. I think if you hold out the opportunity for cities to participate in the block grant, say, a couple of years down

the road; No. 2, in the interim, provide the capacity, the planning capacity and the building capacity, for cities that don't have it; at the same time provide a small project implementation program for cities that have been planning and are ready to go. Those two elements, plus down the road the block grant, I believe you will excite the kind of planning activity that will give you new conservation in cities that don't now have the ability to do it.

Mr. OTTINGER. Pursuing Mr. Walker's concerns just a bit, in the requirements that are set out in the legislation for planning or in our staff draft—and you can supply this for the record if you don't have it off the top of your head—are any of those requirements excessive? Should any of those requirements be dropped or modified? Are we putting an excessive burden on the local governments in terms of coming up with a 3-year plan or the other requimements that are enumerated?

Mayor ROYER. The National League of Cities representative suggests that the energy end-use requirement might be tough, but it really is one of the important planning elements and you probably should do it, but it may be the toughest requirement.

But those of us in cities who deal with community development block grant, section 8 and other Federal programs, we don't see these as being excessive.

Mr. OTTINGER. There are the specifics. If you have concerns about the long-term employment and other things that Mr. Walker enumerated we would like to see them. If any of those are really unnecessary or overly burdensome in trying to achieve our objective we would certainly like to modify them ourselves.

Mayor ROYER. In the UDAG program there is an employment component that we're able to meet and demonstrate. I think those requirements are in other Federal programs that we now deal with, and it's important to the league that the Secretary's discretion to waive those requirements is available.

Mr. OTTINGER. I would anticipate that we would have communities moving forward, at least for a period of time, while they have a chance to prepare some of that detailed information.

Are there any other questions?

Mr. WALKER. Yes, Mr. Chairman.

Mr. OTTINGER. Yes.

Mr. WALKER. I am somewhat concerned about a point that was raised just a minute ago about the fact that the people with the programs already in place are the ones that would probably qualify for the early funding, and I certainly understand the reason for that.

However, an experience that we've had in Pennsylvania with regard to water pollution control money, sewer grant money, comes to mind that is very disturbing. Pennsylvania was ready early to go after the Federal funding for the sewer program, and they got a considerable amount of the early money. As a result of that, however, they had a great deal of trouble qualifying for money later on because a certain percentage of the money went heavily in there in the first place and we now have to allow other places to catch up. As a result, good programs have been destroyed by the fact that there's not an ongoing stream of funding, and I'm just wondering whether or not you don't see this

same kind of thing developing here if we don't have some mechanism to assure a broader base of funding from the very beginning.

Mayor ROYER. I think one of the beauties of a conservation strategy is that you're always building the plant, you're always marketing conservation, but you don't have that big continuing drawdown of capital. Once you install the ethic, the machine kind of runs. I'm talking about projects to be funded through the block grant effort that are innovative, that maybe do not have a long-term capital or Federal dollar demand, but rather, help overall to establish a conservation ethic in new small generation, like low head hydro, and we're doing biomass. We're growing trees. Our utility is growing trees for a biomass project, and that kind of thing, which I don't think represents, in individual projects, in individual cities, a long-term capital demand.

Mr. WALKER. So once the money has been spent in an early grant, the chances are that we can move on to fund other places with the money, and if the money were cut off to the early on cities, it would not be that great a tragedy?

Mayor ROYER. Or fund and continue to fund the programs that work and don't fund the ones that don't, for the projects that work, for the ideas that work. I think the block grant is a way to kind of stimulate and excite a few good ideas, and then have the courage to bag those that aren't any good and to continue to fund those that are good and productive.

Mr. WALKER. Thank you, Mr. Chairman.

Mr. OTTINGER. I want to thank you. We've had many mayors and Governors before us in the past. This is the best testimony from an elected official we've ever had in terms of knowledge.

Mayor ROYER. Thank you.

Mr. OTTINGER. I really appreciate your being with us and your taking time. I think you've been extraordinarily helpful to us, and the whole committee is really appreciative of your assistance.

Mayor ROYER. Thank you, Mr. Chairman.

I think you're doing a great job in taking this on with all the other stuff you have to deal with, and we appreciate it. We think it's important.

Mr. OTTINGER. Thank you again.

We'll next hear from the Department of Energy, Mr. Thomas Tatum, Director of Institutional Liaison and Communications, Office of Conservation and Solar Energy. I understand that you're accompanied by Dr. J. Michael Power, the Director of Policy, Planning and Evaluation, Office of Conservation and Solar Energy, and you can pronounce the name, you can introduce your other associate, the Deputy Assistant Secretary of State and Local Assistance Programs.

Mr. TATUM. Yes, Mr. Chairman Mel Chiogioji couldn't join us.

Dr. Sawhill sends his regards. He's out of the country today. Dr. Stetson, as you know, our Assistant Secretary, is before your companion Appropriations Committee testifying on our conservation appropriations budget this afternoon Their absence does not indicate a lack of priority by the administration on this bill. If Dr. Sawhill had been in the country, he would probably have been here.

Mr. OTTINGER. We appreciate your being here.

Do you have a statement for us?

Mr. TATUM. We have a statement we've submitted for the record. If I could, I would like to summarize that very quickly and then discuss the bill with the committee.

STATEMENT OF THOMAS D. TATUM, DIRECTOR, INSTITUTIONAL LIAISON AND COMMUNICATIONS, OFFICE OF CONSERVATION AND SOLAR ENERGY, U.S. DEPARTMENT OF ENERGY; ACCOMPANIED BY J. MICHAEL POWER, DIRECTOR, POLICY PLANNING AND EVALUATION, OFFICE OF CONSERVATION AND SOLAR ENERGY, U.S. DEPARTMENT OF ENERGY; JOHN MILLHONE, DIRECTOR, BUILDINGS AND COMMUNITY SYSTEMS, U.S. DEPARTMENT OF ENERGY; NICK FEDORUK, CHIEF, POLICY ANALYSIS AND EVALUATION, EES PROGRAM, U.S. DEPARTMENT OF ENERGY

Mr. TATUM. Today's testimony essentially amends testimony previously given before your joint hearings. We are amending previous testimony because of the substantial changes to the original bill we submitted last May. The revised bill is now stronger managerially than the original bill. We have utilized the past year exceptionally well to consider and develop the principal issues.

Events over the last several years, starting with 1973–74, in terms of the world energy situation have shown that it's very important that all levels of government work together in energy conservation and renewable resources and supply and demand planning. Our State and local governments have played major roles, as you know, even in the past year in dealing with the gasoline crisis which was caused by the first Iranian crisis.

Mayor Royer, I think, has sumarized in a very excellent way what we consider to be one of the best local programs in the country. There are other cities, such as Portland, which I know you've been briefed on by your staff, that have made superb efforts. San Diego County is an example of a county governmental unit, especially in the solar area, that is doing a good job, and more and more across the country we see both small and large communities moving aggressively toward implementing energy programs.

Several States have done an excellent job. The Minnesota plan is certainly one of the excellent State programs in the country. John Millhone, who directs the Buildings and Community Systems Division of DOE, and will manage the EMPA program, is with us today.

We see EMPA as one of the major administration initiatives to reduce the consumption of foreign oil in both the short and long term and to build an important intergovernmental framework which will help us conserve energy at all levels in the country as well as make the transition to the use of renewable resources throughout the country.

There are five major points we want to reiterate on EMPA today:

One, we feel that the revised bill will encourage States to make their current programs and their future programs more effective in dealing with overall supply, conservation, and renewable resource programing.

Second, EMPA consolidates DOE's core State programs and provides for the administrative consolidation of all of the DOE State

aid programs. We think this is an important step forward in cutting redtape. You might call it, in effect, a new wave energy program. It doesn't create redtape; it reduces it.

Third, EMPA provides increased funding for the DOE's State energy programs and for the first time provides funding for a major local government effort. We feel this funding is very important in reaching the President's goal by the year 2000 of generating 20 percent of our national energy from renewable resources, and we underscore that as an important rationale for the bill, even though the goal was set after we submitted the original bill last May.

Fourth, EMPA provides support for State energy emergency planning. As you know, since the original EMPA bill was submitted, Congress passed the Emergency Conservation Act and the funds in this revised EMPA bill would help the States get on the road to planning and implementing Federal mandatory requirements for that particular act.

Finally, EMPA will provide Federal funds to help States cover the costs of other federally and State-initiated energy actions and programs.

This legislation—and I heard Mayor Royer support this, I believe—this type of legislation creates an important Federal, State, and local framework, and we encourage you to make that a major consideration.

There are two major substantive changes in the bill since we testified previously before your joint hearings. One of the changes came after lengthy discussion with yourself, your colleagues on the committee, and your staff, and as a result our bill now requires State energy offices to produce a mandatory renewable resources plan to provide for the transition to a so-called solar society, if you will, in those States, and we specified six areas of activity we would like to see the States consider in that plan or put in the plan:

To encourage the application of renewable resources in all the end-use sectors in the States.

To encourage participation by financial institutions, the banks, savings and loans, and so forth, and other organizations to facilitate the transition.

To use solar in buildings that are owned by State and units of local government throughout the State.

To provide funding for intervention by the States in regulatory proceedings before public service commissions, to facilitate the use of solar.

To provide information that will promote consumer protection in the solar area.

To implement other measures which the State determines to be appropriate to accelerate the use of solar energy.

The other major change in our bill is to add $50 million in authority over a 5-year period, 5 fiscal years, for a local government program. This would allow direct funding to local governments, as designated by the Secretary of Energy. The criteria for these grants to local government and regional councils will be to encourage energy conservation and the increased use of renewable resources. We also provide for the coordination of the local government plans and a consis-

tency of local government plans with respect to State plans so that we have all three levels of government operating in the same direction.

One other nuance to the local government program would be the creation of a national clearinghouse that the local governments could share information they develop among themselves. This would be an effective and relatively cheap way for the Federal Government to encourage local governments to help themselves, and strongly supported by their organizations.

That summarizes our testimony and covers the major changes in the revised bill which we have had up here now, I think, about 2 weeks.

[The prepared statement of Messers Tatum and Power follow:]

STATEMENT OF THOMAS D. TATUM, DIRECTOR, INSTITUTIONAL LIAISON AND COMMUNICATIONS AND J. MICHAEL POWER, DIRECTOR POLICY PLANNING AND EVALUATION, OFFICE OF CONSERVATION AND SOLAR ENERGY, U.S. DEPARTMENT OF ENERGY

Mr. Chairman: Events over the past several years dramatically illustrate many of the weaknesses and pitfalls inherent in pursuing any national policy without the full participation of State governments and localities. Nowhere is this more true than in energy. State and local governments played major roles during the gasoline shortages experienced in many regions of the country last year, as well as in other fuel emergencies over the past decade.

There are some excellent State and local programs being implemented for conservation and renewable resource development that have been supported with and without Federal assistance.

If our national effort to reduce consumption of foreign oil and to encourage a transition to renewable resources is to succeed, we must build a framework for a mutually supportive energy partnership among all levels of government. With those objectives in mind, the administration has proposed the Energy Management Partnership Act of "EMPA."

With regard to the States and local governments, we believe the administration's revised EMPA is needed for the following reasons:

First, EMPA would encourage States which do not already have an effective energy management capability to develop their own overall energy supply and conservation plan in cooperation with local governments.

Second, EMPA would consolidate and simplify administrative procedures for three major existing grant programs—the EPCA and ECPA State energy conservation programs and the energy extension service. It would provide States with greater flexibility in the use of Federal funds under the consolidated grant program. It would also permit States to consolidate applications for other assistance programs administered by DOE. By cutting redtape and giving States greater flexibility to tailor programs to meet their needs, more money will be available for implementing energy programs, and less required for grant administration.

Third, EMPA would provide funding to State and local governments for conservation and the development of renewable resources such as solar energy. State and local governments must work to remove the technical, economic, and institutional barriers which stand in the way of increased renewable resource use. They are important partners with the Federal Government in the drive to achieve the President's national goal of 20 percent solar energy use by the year 2000.

Fourth, EMPA would provide support for State energy emergency planning. Some of the activities included in such planning are State plans for set-aside of petroleum products and other energy supplies, allocation of fuels in short supply during a period of supply disruption, monitoring of supply and consumption, and developing and implementing other emergency measures which are responsive to State needs.

And fifth, EMPA would provide Federal funds to help States cover the costs of other Federal or State initiated energy programs.

In these five ways EMPA will help to increase the role of State and local governments in managing our energy problems, and provide a framework of Federal, State, and local activities. This kind of cooperative framework is needed if the Nation is to succeed in its effort to achieve an orderly transition away from oil

imports and depletable fuels, towards a domestically-based renewable resource energy system.

The Administration's revised EMPA bill requires each State to include in its energy plan reasonable measures the State plans to implement to remove barriers to the use of renewable sources in the State. The State plan must include steps to encourage the application to:

(1) encourage the application, where practicable, of renewable resources in end-use sectors;

(2) encourage participation by financial institutions and other organizations in the activities necessary to facilitate renewable resource use;

(3) assess the applicability of practicable renewable resource technologies in buildings owned by the State and units of local government;

(4) provide for intervention by the State and others in electrical and gas utility regulatory proceedings, where appropriate, to ensure that any proposed regulatory decision does not discriminate unfairly against the use of renewable resources;

(5) provide information that will promote consumer protection; and

(6) implement other measures which the State determines to be appropriate.

Finally the revised bill provides the Secretary with $50 million of authority in 5 fiscal years to distribute financial assistance to local government and regional councils for the development and implementation of activities designed to encourage energy conservation and the increased use of renewable resources. The local government grants will be awarded to local government and regional councils which have a commitment to energy conservation and the increased use of renewable resources, which have coordinated their plans with their State government and which encourages citizens participation.

In summary, we strongly support the Administration's revised EMPA legislation and encourage you to act favorably on it.

Mr. OTTINGER. How much total money now do you contemplate would be devoted to the EMPA program?

Mr. TATUM. Our total authorization for State and local program is $155 million. That includes $4 million in administrative expenses. So about $151 million of authority reaching the State and local governments.

Mr. OTTINGER. My information is the March revision refers to $25 million.

Mr. TATUM. That's the authority we asked for in the President's March revised budget, and the administration, in its overall budget cutting stance, took $25 million in 1981 appropriations from the "Local Government" account. So it would be a total appropriation of around $130 million for 1981 that we're seeking.

Mr. OTTINGER. And where do you contemplate that money would come from, entirely out of 1981 authorizations?

Mr. TATUM. Yes.

Mr. OTTINGER. Or do you contemplate that any of that would be taken from the Synthetic Fuels Corporation authorization?

Mr. TATUM. No. The original $155 million that the administration requested in its first budget submission was provided for in our overall budget, not taking it away from anything, and the revision reflects the same kind of request.

Mr. OTTINGER. Is that adequate to meet the needs of those cities for planning purposes, those cities and other municipalities that do not already have conservation programs in progress?

Mr. TATUM. That's a tough question, Mr. Chairman. As you know, there's been a vigorous debate within the administration over the level of funding for local governments.

But in the broad context of the administration's total budget and the Department's total budget and, in fact, Conservation and Solar Energy's total budget, $25 million for 1981 is all we have to go with at this point.

I think you can take testimony from a variety of witnesses that represent local governments and you'll get a variety of answers as to what an adequate amount of money would be.

Mr. OTTINGER. I don't know how many there are, but there must be thousands of local units of government today.

Mr. TATUM. If you take the broad definition for revenue sharing, it's our understanding there are about 15,000 plus units of county-city governments of some kind.

Mr. OTTINGER. So that money isn't going to go very far.

Mr. TATUM. Over the full 5 years of the authorization it will go relatively far. We're talking about a base authorization of $250 million on a competitive basis. We will be getting it to those units of local government which are competing and, by virtue of their competition, have pledged to do the best job with that money.

Mr. OTTINGER. Can both States and local governments compete for these funds?

Mr. TATUM. The State money is guaranteed. It's a formula, those grants to the different States, and we actually increase their authorities over their current authorities.

Mr. OTTINGER. So a State like the State of Washington could get money even if it doesn't have a State energy office?

Mr. TATUM. A State gets money on an annual basis, but the Secretary reviews the State's progress toward the statutory requirements, both the existing programs and future programs, and we reserve the right to hold back that money if the States don't come into compliance. In fact, we're considering some actions of that type right now.

Mr. OTTINGER. I think that's one thing we ought to look at.

Mr. TATUM. I can assure you we're watching that closely, and we're not mentioning the particular States that are being monitored right now. There are activities like that underway.

Mr. OTTINGER. What is your reaction to Mayor Royer's suggestion that we have competitive grants for the planning phase of this and look to a grant program for the implementation phase?

Mr. TATUM. We would have to consider an official position, but it's my understanding from talking to our General Counsel that it's implicit in our competitive process that we would be making two types of awards. We had intended to handle this in regulations. But some cities who have already done a plan, like Seattle and Portland, we would consider them from an implementation grant perspective, and for others who haven't advanced we would consider planning grants.

Mr. OTTINGER. What is your reaction to using the HUD machinery for getting out these funds? Could DOE administer a block grant program, and how much effort would that be to build up that capacity?

Mr. TATUM. I think that's a fair question.

In both the original version of EMPA, the 1981 budget request considerations within the administration, and particularly in the revised bill, which went all the way back to OMB and the White House for discussions, the administration fully considered who should ad-

minister the local government program, and in the end the kind of controlling arguments, if you will, that prevailed were: We do want an integrated partnership from the Federal, State, to the local level. It's easier from our perspective, from a management perspective, to manage those programs in one department. That department is DOE, which is the administration's lead agency for energy programs.

However, I want to assure you that doesn't mean that DOE is going to be operating in a vacuum, out there kind of setting up a program at the local governments that doesn't relate to their existing program. We intended to cooperate fully with HUD and other agencies, such as DOT and EPA, and leverage their programs as much as we can against the local government program. We are, in fact, doing that by Executive order. The President's Executive order on energy conservation cuts across departmental lines, and the interagency group meets daily to coordinate programs. That set of regulations will be published soon in the Federal Register on revisions to several major Federal programs to add energy conservation elements.

Mr. OTTINGER. How many people will you have to hire to administer a block grant program? Is that in the budget?

Mr. TATUM. In fact, to the best of my knowledge, we haven't done a specific personnel analysis. In a general way, we considered it in our 1981 budget request. We believe with our reorganized CS, which now has a Deputy Assistant Secretary for State and Local Programs, that we are building in the line capability to administer that program without significant additions of personnel. Computers make it much easier today to administer this type of program.

Mr. OTTINGER. Do you know how many people HUD has to administer its community development?

Mr. TATUM. No, sir. I would have to submit that to the record after we check with HUD.

[The information to be provided follows:]

HUD informs us that there is a total of 1,815 employees participating in the Community Development Block Grant program. Of this figure, 364 people work out of HUD headquarters in Washington and 1,451 work in the regional and area offices. They are involved in 12 different program areas.

Mr. OTTINGER. Do you have regional offices at this point?

Mr. TATUM. Ten regional offices, as you are aware of, and we have now added a substantial number of conservation staff to those offices.

Mr. OTTINGER. Are those conservation staff people equipped to do the evaluation of competitive programs?

Mr. TATUM. Yes, sir. They worked very closely with headquarters on the schools and hospitals grants and some of the programs that we have in the field now.

Mr. OTTINGER. In your revised program, you require at least 60 percent of the funds which go to a State be spent on conservation programs.

Mr. TATUM. Conservation, renewable resources, or emergency programs.

Mr. OTTINGER. Where does the other 40 percent go?

Mr. TATUM. The other 40 percent is for the States to use in a flexible way for their allocation programs, for their own programs that they want to set up on either the supply side or the conservation, renewable resources side.

Mr. OTTINGER. With very limited funds for conservation purposes, is that going to be practicable? That limits the amount that would go into the EMPA effort.

Mr. TATUM. That's a judgment call. We've looked at the numbers. We have $105 million to work from. I know your revised committee print sets a 70-percent ceiling, which is 10 percent above ours. Again, it's pretty much a managerial judgment call.

Mr. OTTINGER. If the Energy Extension Service is to be a mandatory part of each State's plan, then why is it necessary for us to repeal the Energy Extension Service Act, with a requirement of an administrative nature so as to insure continuity of that program?

Mr. TATUM. I'm told by our General Counsel that it's a cleaner way to do it when we're consolidating the three corps programs, to repeal the act, and again, we don't provide for, in our revised bill, a specific amount of funding the States will be committing to that energy extension program. We give them the flexibility to set their own funding levels.

Nick Fedoruk is with us today. He works in our energy extension program area. From his informal discussions with different States around the country, we suspect they will spend more money on Energy Extension Service types of activities, especially in the conservation and renewable resources areas, than they are under the current categorical program. It's a popular area with the States, which is cost effective, and we expect that level of expenditure to go up some.

Mr. OTTINGER. Mr. Royer.

Mr. ROYER. Yes. Thank you, Mr. Chairman.

Mr. Tatum, I'm still having trouble understanding the numbers. If I have the numbers correct, we're talking about an additional $25 million, to put back in the March figures, or it is the January figures?

Mr. TATUM. In the original January budget, the administration asked for $155 million, which included $4 million of administrative.

Mr. ROYER. But that's been cut back?

Mr. TATUM. Reduced by $25 million.

Mr. ROYER. And this authorization would put it back to $155 million. Is that what I'm understanding?

Mr. TATUM. No, sir. This bill asks for a 5-year authorization of $155 million a year, being an authorizing bill, and we haven't had any discussions on our outyear appropriation figures.

Mr. ROYER. Doesn't that indicate an increase over the March budget of $25 million?

Mr. TATUM. No, sir.

Mr. OTTINGER. They're asking, as I understand it, for an authorization for a 5-year program, and then they'll come in for specific appropriations as they phase that in.

Mr. TATUM. In other words, in 1981 we would have, based on this bill, $25 million of unused authorization.

Mr. ROYER. That's the point. Why is it up now to the $50 million, the authorization?

Mr. TATUM. Two reasons. One, again, we haven't had supplemental discussions for 1981, and at some point international circumstances might change our view of the need to fund this. Second, it's easier to ask for a clean $50 million a year for local governments than to come for $25 million for 1 year and $50 million, for the next 4.

Mr. ROYER. Let me ask you another question.

The consolidation of the three programs, which I assume you feel is going to make it more effective, what is the indication of what the savings might be there, and how will that be passed on?

Mr. TATUM. Savings at the State level or at the Federal level?

Mr. ROYER. There's going to be a consolidation of three State programs. Is that not correct? Is there not some administrative savings at some point? If not, why are you doing it?

Mr. TATUM. At headquarters, administrative savings.

Mr. ROYER. Pardon?

Mr. TATUM. There will be some savings in personnel time in administering the State programs, but that time will be needed to administer the local government competitive programs.

Mr. ROYER. So there won't be any administrative savings by doing this? Is that what you're saying?

Mr. TATUM. It's hard at this point to predict whether there will be an actual net savings.

Mr. ROYER. And it's your feeling, then, that this is going to be more efficient? There has to be some reason.

Mr. TATUM. Much more efficient in terms of administering the State programs because right now you have a whole series of applications coming in to the State energy office for each one of our programs. This will allow one consolidated application to come in.

Mr. ROYER. What about the part that the regional centers play in this program?

Mr. TATUM. They play an important part.

Mr. ROYER. That's not mentioned in here, is it?

Mr. TATUM. First, it's implicit because the regional solar centers, as well as the Solar Energy Research Institute, now being part of CS, are integrated into our own management structure to work with the State energy offices and the regional centers, both with the States and the local governments, in their respective regions.

One reason we feel that DOE should administer the local government program is—and Dennis Hayes who is the administrator of the Solar Energy Research Institute feels very strongly about this, in conversations I've had with him—that the Solar Energy Research Institute the regional solar centers and our national laboratories should be available to provide technical assistance to local governments throughout the United States.

Mr. ROYER. Now as followup to Congressman Walker's questions to Mayor Royer earlier pertaining to the ability of the States to manage the program as it's outlined, the fact that so many of them would be starting from scratch.

Mr. TATUM. Local governments or State governments?

Mr. ROYER. State.

Mr. TATUM. Let me give this question to Mike Power, who has spent a lot of time working on this issue.

Dr. POWER. Could you state the question again, please, so I understand it?

Mr. ROYER. Do you feel the States have the capability to manage the program?

Dr. POWER. The States have already, I think, demonstrated an ability to manage the initial set of categorical programs. Under this

program the awards to the local governments, which would be the new element, would be closely run by the Department of Energy with input from the States as appropriate. So the administrative burden would really be on the Department of Energy regional staffs to work with the States to develop the best possible overall program.

In addition, we are providing flexibility for the States to look at their previous activities and to decide which of those they wish to continue and to create new programs that they feel are appropriate to meet the energy goals and objectives that they state in the context of their energy plan.

We feel the States are capable of handling these responsibilities, based on the evaluations we've done.

Mr. TATUM. John Millhone is with us. He directs our Buildings and Community Systems Division. He's a former director of the Minnesota Energy Office. I would like him to also answer this question.

Mr. MILLHONE. One of the features of EMPA that I think may not be immediately apparent is that there are requirements as well as benefits to States participating in this program.

Thus. the EMPA legislation was designed in cooperation with DOE and States that had more "effective" energy programs. Through our experience with the "effective" State energy programs. DOE recognized that certain basic capabilities were needed at the State level for States to develop useful programs. However. developing this capability is not easy for some States to do. Certain basic capabilities must be developed at the State level if the program is to be effective. Therefore, some States will be able to move forward with programs that are already very similar to the EMPA rquirements; whereas other States will have to get a better understanding of their energy needs. They will have to have data systems that accurately measure their energy supply and use. They will have to have better energy facilities planning to anticipate their future energy needs.

The EMPA bill assumes States, by developing the necessary energy management capability, will be able to contribute to a Federal, State, and local partnership that will enable the United States to solve our energy problem.

Mr. ROYER. Just one last question, getting back to the financing again, to make sure I understand it.

Your budget authority for R. & D. in DOE was how much prior to this bill?

Mr. TATUM. Total agencywide?

Mr. ROYER. Yes.

Mr. TATUM. I would have to submit that to the record.

Mr. ROYER. No. I'm thinking about the total R. & D. budget in DOE, and what I'm trying to figure out is——

Dr. POWER. It's about $3 billion, roughly, plus or minus, as I understand it.

Mr. ROYER. That's just for R. & D.?

Dr. POWER. That's for R. & D.

Mr. ROYER. And your total overall budget for the whole Department would be what, $12 billion?

Dr. POWER. For programmatic activities, excluding the Strategic Petroleum Reserves and the Defense programs, it's about $7 billion.

Mr. ROYER. I guess the point that I'm trying to get back to is what

Congressman Walker was talking about earlier because I think there's a lot of merit to these types of programs and we ought to take advantage of conserving where we can. I think the problem that I am having is similar to his in that I come from the State of California and know what the people did there when the elected officials did take it upon themselves to cut back and choose their priorities.

I'm trying to figure where else in your budget, if this is such a high priority, it can come from versus adding either new authority or new appropriation, and it just seems to me at some point we're going to have to start making those hard decisions.

You're recommending a program, but are you indicating that there are some other programs that aren't quite as necessary?

Mr. TATUM. I think the administration did that in the overall budget context.

Mr. ROYER. Pardon?

Mr. TATUM. I think the administration did that in the overall budget context. It took from some programs and gave to others and cut some.

Mr. ROYER. Yes. But it seems to me you're coming back now and saying you need another additional authorization. Is that what you're saying?

Mr. TATUM. That was included in the administration's original submission.

Mr. ROYER. No. I'm talking about the March budget, where you cut things back. This was in that? I thought it was in January but not in March.

Mr. TATUM. No. The March was a real cut. It had been submitted at $155 million and it was reduced to $130 million.

Mr. ROYER. I understand that. But now you're asking that it be brought back to the $155 million.

Mr. TATUM. No.

Mr. ROYER. In authority.

Mr. TATUM. Only in authority, but not in outlays.

Mr. ROYER. I'll have to grope with this another time.

Mr. OTTINGER. Maybe I can be helpful. As I understand it, they want the leeway in circumstances to be able to ask for additional appropriations.

Mr. ROYER. The point that I'm trying to make is are you suggesting that you have this flexibility only as an addition but not to take it from something else? What I'm saying is that if you're going to start choosing some things we ought to do it at the beginning, rather than to have to come back later and say, "We have the authority. Now we want the appropriation."

Mr. TATUM. I suspect, given the gravity of the budget situation, our appropriations request will be the controlling number, which is the $130 million number.

Mr. ROYER. I'm going to yield back the balance of my time and do a little more studying on this.

Mr. OTTINGER. Mr. Walker is recognized for 15 minutes.

Mr. WALKER. Thank you, Mr. Chairman.

I would say to my friend from California that I think he makes an excellent point because you have to understand the politics of the situation. The fiscal year begins in October. By November we will be past the political problem of a balanced budget, and so, therefore, if you

have the increased authorization you can come in for a whole bunch of supplementals, having taken advantage of the political opportunities for talking about a balanced budget. Then we will go on and actually get the money that they need to run the program. I think we need to hang tough on the authorizations from that standpoint.

The categorical programs that we're going to fold into this block grant now and we're going to come forward, how many people are employed in those categorical programs right now?

Mr. TATUM. I'd have to supply that for the record, sir.

[Material referred to follows:]

We estimate that 95 staff person-years are currently involved in the programs which are proposed for incorporation into EMPA, broken down as follows:

	Headquarters	Regional offices	Total
Energy Extension Service	16	10	26
State energy conservation programs	18	30	48
Emergency energy conservation	11	10	21
Total	45	50	95

Mr. WALKER. Do you have any idea? You don't have any estimate whatever on it?

Mr. TATUM. We don't have someone with us from that particular division. No, we don't have an estimate on that one right now.

Mr. WALKER. That gives me a bit of a problem in pursuing the line of questioning here.

What I'm wondering is how many people, what percentage of the people, we can expect are going to be eliminated. How many people can we expect to be dropped as a result of going to the block grant approach? The advantage of a block grant is you eliminate the administrative overhead costs. Then you transfer that back to local governments and all you have is evaluation responsibility now.

Mr. TATUM. That's under State consolidation, but we will be at the same time starting up the competitive local grant program, which will take personnel.

Mr. WALKER. But that will be a block grant, where it's going to be competitive in one aspect of it, but essentially the money is going to be distributed by block grant, isn't it?

Mr. TATUM. Not in the administration's proposal.

Mr. WALKER. So we're going to go to a block grant program and we're not going to have any savings in personnel at all. That's the advantage of a block grant. Otherwise there's no need for a block grant.

Mr. TATUM. We're talking about two programs, our State program and our local program. Our local government program is direct funding on a competitive basis to local governments. It is not a block grant program.

Mr. WALKER. So in other words, in this proposal we're talking about no personnel savings at all?

Mr. TATUM. I will supply that for the record. But there probably isn't a net out at this point because of the increased responsibilities in administering the local government program.

[The material referred to above follows:]

There are currently 126 positions authorized to support the State Energy Conservation Programs, the Energy Extension Service, and the Emergency Conservation Act. Staff presently working on these programs total 95. Since efficiencies will occur from consolidating these activities under EMPA, we do not anticipate a need for increased staff in fiscal year 1981 to administer the state portion of EMPA. For the local grant program, additional Federal staff will be required. These presumably can be hired out of our existing authorized level.

We're also under a freeze, so agencywide and CS–wide we're deficient in employees right now. We're administering more and more programs with fewer and fewer employees.

Mr. MILLHONE. One of the things to consider here is that the States are required to perform certain functions under the EMPA bill they're not required to perform at the present time.

Now, the three programs administered by the States are energy conservation programs. Having administered the State energy office in Minnesota and for a time that in Iowa, one of the things we found burdensome was the preparation of multiple applications for different Federal funds.

Mr. WALKER. But that's a burden on the local and State governments, not on the Federal. Right?

Mr. MILLHONE. That's a burden both ways. It's a burden because someone has to prepare those applications and review them once they're received. It's a burden at the State level because someone has to fill out the applications.

Mr. WALKER. That's the reason I raised some of those questions earlier about all of the detail that we're expecting to go into these plans. One of the advantages you get by going to a block grant program is the fact that you eliminate a lot of that detail that's in this bill. Then you don't have too much of a problem assessing the application.

Mr. MILLHONE. The point I want to make is that under the EMPA legislation there are planning responsibilities in terms of energy supply as well as energy use. That requirement does not exist in any of the existing block grant programs. Also, the requirement for the maintenance of an energy data system is not a part of any existing block grant programs. There are additional requirements for an energy emergency under the ECA legislation.

Mr. WALKER. What I'm thinking of is down at the revenue-sharing office, for instance, where they administer about a $6-$7 billion program. As I understand it, at the last count they had 83 employees. They do a lot of assessment of the applications. They evaluate all of this. I don't understand why, if we're going to go to a block grant, we couldn't save considerable administrative costs and overhead in the Federal Government, in the Department of Energy, by simply allowing the communities to come up with their programs, and assess them to find out whether or not they are viable programs, and distribute the money accordingly.

Mr. MILLHONE. Each of these terms is something of a work of art. I do not think it would be accurate to describe EMPA, as far as its effect on the States, as a block grant program. It may be a modified block grant, or something between a block grant program and a categorical program, because there are a number of specific requirements the States must include in the program in order to be funded. The plan is reviewed for adequacy.

As you and other members of the committee have pointed out, there is a major effort needed to provide technical assistance to State and local governments as well, so they will be able to meet some of the requirements under the legislation.

It's because of these more complex requirements on the States than in your normal simple categorical block grant programs of the local governments.

Mr. WALKER. If it's a good thing for the local governments why isn't it a good thing for the States too?

Mr. MILLHONE. I didn't hear your question.

Mr. WALKER. If it's a good thing for the local governments why isn't it a good thing for the States too? Why not go to a total block grant program and really begin to eliminate overhead?

Mr. MILLHONE. It's DOE's position, as reflected in the bill, that a simple block grant program doesn't provide the technical assistance and the level of detail required of the the State to provide an adequate level of performance.

Mr. WALKER. So in other words, you want to continue to tell the States what to do.

Mr. MILLHONE. We want a more simple, less redundant State energy program than has been the case in the past.

Mr. WALKER. But under the block grant program the advantage to it is the States don't do what we tell them. They tell us what they need, and we fund it through a block grant, and that's the advantage to it. We eliminate an awful lot of the paperwork and the bureaucratic problems here in Washington.

Why wouldn't that be an advantage in the total program? That's essentially, as I understand it, what you're proposing for local governments.

Mr. TATUM. Let me clarify this and make sure we're all on the same wavelength.

We're not proposing a pure block grant program for the States. Our General Counsel informs me it's not intended to be that. It's a consolidated core grant program. It's not a pure block grant program. We require the States to do a certain number of activities.

Mr. WALKER. I understand that. But the question I'm asking is why not go to a pure block grant program and eliminate a lot of the administrative costs in Washington?

Mr. TATUM. It's our estimation that the States aren't ready to make that jump right now. There are a number of national priorities and policies which we want the States to meet.

Mr. WALKER. And that goes back to the study that I understand came out recently that shows that 27 States were rated as having unsatisfactory energy conservation programs. Is that that the reason why you don't think they're ready?

Mr. TATUM. There are a lot of States who are still working on building the capacity, the staffs, and the programs that they need to have the type of programs that States like Minnesota, California, and others have established over the years. All States are not equal in their program activities.

Mr. WALKER. What I'm beginning to hear here is that what we're doing is adding another layer. That's what I'm beginning to hear out of all of this, is that we've figured out a way to come up with a fancy

title, which is really just another layer of Federal Government interference in the whole process.

Mr. TATUM. We're actually reducing the amount of Federal Government interference at the State level. We're reducing the number of mandatory requirements, but we're not reducing them to a net sum of zero at this point.

Mr. WALKER. But the problem is we keep talking about reducing, but we don't seem to be reducing staff; we're not reducing money. The Federal Government is continuing to participate at its old level, except that we have a new title for it, and I don't see any place where we're reducing.

Mr. TATUM. We're signficantly enhancing both at the Federal, State and local level the program activities. We're moving very aggressively on energy emergency plans, and we're moving very aggressively on mandatory renewable resources programing to accelerate the transition to that 20 percent national solar goal. That's a lot of additional program activity.

Mr. MILLHONE. I wonder if I might address that comment just briefly.

Mr. WALKER. Yes. That's what I'm getting to. I think there is an awful lot of additional program activity, and it appears to me as though we're talking about adding another layer in order to do it.

Mr. TATUM. No. We're talking about using essentially the same, and I'm now told our previous 93 people at headquarters that work in the State and local program area, we need that same amount of personnel to drastically enhance the Federal Government activities in these areas.

Mr. WALKER. In other words, you already have more people than it takes to run the whole revenue-sharing program, and you're telling me you're going to need at least that many, and we're talking about a program level at less than 10 percent of what the revenue-sharing program has now.

Mr. TATUM. You're making an apples and oranges comparison, with all due respect. The revenue-sharing program is a pure massive block grant program where essentially a computer writes checks, and there's some compliance monitoring that goes on on a few activities, such as civil rights compliance. In the energy conservation, renewable resources and energy emergency area we're talking about creating a whole new set of capabilities at the national, State and Federal level in a crisis situation, especially a foreign oil crisis situation. I think 93 personnel is a thin line in that situation right now.

Mr. WALKER. I would agree that that's a fairly minimal number of personnel. My question is whether or not we can't get even a better program out of spreading it so that the State and local governments are picking up even more through a block grant program.

I don't see where the reductions are.

Mr. MILLHONE. Let me explain. The question should not be—if you'll accept the suggestion—whether there is a reduction or not. The question should be whether the States and local governments have the capability to deal with the serious energy problem.

Now, because the awareness that energy was something that government at all levels should pay attention to has occurred fairly lately and has occurred at a time when there was great constraint on any

increase in employment, most States have realized they are unable to deal with the energy-related things that should draw the attention of that State. This has severe disadvantages for the State. Although there is a need to do something in most States in energy conservation, there may not be a recognition of what should be done. There may be emergencies but very few States have the ability to know where the energy is coming from to deal adequately with the emergency. There may be energy supply possibilities, but because States don't know what those are, they are unable to develop energy supply programs that are necessary to develop them.

In a State like Minnesota, where you have the ability to understand energy supply, demand, and emergency features affecting the State government, there was a recognition that something like this should be available in all of the States.

This background for the legislation grew out of a White House Governors' Conference in 1977, when there was a recognition that the type of Federal energy categorical programs to the States were overlapping and were inconsistent. Most importantly, it was felt the generic question of the role in the energy area of the State government should be addressed. The EMPA legislation is designed to address that question. It puts responsibilities on the States that some States will find that they would not immediately embrace. Once they are able to develop those capabilities, the States will increase their capacity to deal as a result of this capacity-type building legislation.

Mr. ROYER. Would the gentleman yield on that, just to followup?

Mr. WALKER. I'm not sure how much more time I have here.

Mr. OTTINGER. The Chair is feeling indulgent today.

Mr. ROYER. I thought earlier you had responded to the question that the States had the capability.

Were you talking only of managing the programs after they were outlined by the Federal Government, or were you saying management development of the program? I had asked that question earlier, and you said they have the capability.

Mr. TATUM. Let me clarify it.

We feel they have the ability to develop the capability to manage the full range of EMPA requirements, as they have over the past few years started to develop the capability to manage their current requirements, but it's uneven. Some States have far exceeded the Federal requirements.

Mr. ROYER. That's the point that I was trying to make in my question earlier, and I thought I got a positive answer to the question.

Mr. TATUM. Others haven't.

Mr. MILLHONE. California has a very highly developed energy program, but I think that States like California, Minnesota, and some others are somewhat unique. For the other States it will take a year or two to develop those capabilities.

Mr. ROYER. Would then at that point they be able to be converted into a pure block grant?

Mr. TATUM. We're going to evaluate both the State and local government programs. In fact, that's a key part of our bill, much as we evaluated the 10 demonstrations for the Energy Extension Service, and then came back to Congress with a nationwide expansion of that

program. Based on the next couple years of evaluation of the fully functioning EMPA program, we'll make those decisions at that point.

Mr. WALKER. You see, the bottom line is that this administration—and I don't care whether you talk apples or oranges or not—has just recently said to the States that you don't need your revenue-sharing money because you have all the money in the world out there for your own priorities, and now you're coming in with a new idea now for a block grant for energy. If the States don't recognize this priority, and you've already taken away their revenue-sharing money that they had for discretionary use, how do we possibly justify turning around here and saying we're going to give them more discretionary use as to energy?

We have a report that says 27 of them don't have satisfactory energy programs now. Yet you're withdrawing from the States, and now you have a new idea for going back for something.

I'm having real problems understanding, if you're going to go in that direction, why we can't do it with less personnel at the Federal level, or if it's going to be the same amount of personnel, whether we really aren't just dumping another tier on the States and really requiring them to do things. That's certainly not discretionary use of that money.

Mr. MILLIONE. In terms of the Common Cause report on the evaluation of the State programs, I think we would like to provide something into the record on that. There were some assumptions and some generalizations that were included in that study. I think this caused it to be not the most accurate way of describing the ability of the States to conduct the program.

Mr. WALKER. As I said, the bottom line is I'm concerned about the financing, and I'm concerned about the amounts of money.

Mr. OTTINGER. Would the gentleman yield to me on another aspect of that because I have difficulty in finding consistency in my colleague's approach?

We are really making investments for the States, and you couldn't logically leave it, I suppose, to the States and localities, to put billions of dollars into a base nuclear program, nuclear research. The gentleman supports a large Federal effort in the solar satellite and a great many other energy research areas, and I find it difficult to understand why he would support the Federal Government, in effect, mandating that kind of expenditure and would oppose enabling the States to be able to engage in conservation programs. It's the same kind of Federal investment. That's where the majority of our energy budget goes into these large capital-intensive efforts.

Mr. WALKER. I guest what I'm saying is that that's where the role of the Federal Government exists, and my question is the inconsistency with which we approach these various aspects of the total problem. We're trying to deal within an overall balanced budget on Capitol Hill. On the one hand they say take away the discretionary use of the States. They can't define their own priorities, but they have plenty of money to use for those priorities by withdrawing the main discretionary program they have, the State share of revenue-sharing. On the other hand we come in here with this program in which we're saying give them more responsibility except in categorical grants for energy

conservation. I'm saying there's an inconsistency in philosophy in the legslation.

Mr. OTTINGER. But the gentleman supports the Federal effort in the nuclear breeder program, in the nuclear fusion program, in the solar satellite program, which is a very large Federal investment.

Mr. WALKER. I supported, I think, a study of the solar satellite program. I don't think we need 50 States doing a study of the solar satellite program. I would question whether or not we need 50 States doing a breeder program. There are some programs that obviously one project on a national level has some merit.

Mr. OTTINGER. They're making an energy contribution to the country—which is what I'm trying to get at—in the conservation field which can be done quickly. It doesn't lend itself to a centralized Federal approach, and we have to take a different approach. That's what we're seeking to do here.

Mr. WALKER. I'm not disagreeing with that, Mr. Chairman, but the point that I'm making is that if we are, in fact, moving in that direction then at least let's be consistent and say let's go to a block grant approach. Let's get all kinds of diversity. Why tie them down? Why do we have to have all these people at the Federal level monitoring what they're doing? Let's go to a block grant, and if a block grant is going to come up with that kind of diversity, why did you withdraw the State's share of revenue-sharing, where they could have put the money towards this kind of priority if, in fact, they're recognizing what the priority is.

I'm saying that the policies as developed within this balanced budget concept are wholly inconsistent and that you can't have it both ways.

Mr. MILLHONE. I wonder if I might commend on that.

Mr. OTTINGER. Surely.

Mr. MILLHONE. I think it's a highly justified and praiseworthy effort to design legislation that will focus on what is perceived as a remedy to a significant problem. I think there is no disagreement that energy poses great challenges to our country, and energy conservation provides the quickest, and cheapest, and easiest way to save barrels of imported oil.

One of the reasons why the energy conservation programs have not been more effective is the capacity to understand and deliver energy conservation programs must exist at the Federal, State, and local level. This hasn't existed, and therefore it is a wise use of Federal policy to direct the capacity to deliver these programs be built within the States, and to understand what needs to be done there so there can be certain guidelines which must be met by the State in order to be able to receive Federal funds.

The conservation planning, the data, the energy need forecast, these are the essential things a State has to be able to do in order to have an adequate energy program. To require this from the States to receive Federal funding, seems to me like a very logical, rational, desirable approach.

Mr. OTTINGER. I'm going to call on the gentleman from Pennsylvania.

I thank the gentleman from California, who I know has wanted to ask questions, for his indulgence, and I recognize him at this point.

Mr. BROWN. Mr. Chairman, I appreciate your courtesy in the matter, since I am not a member of this subcommittee.

I did want to raise the issue which you have already raised in part as to the question of how we integrate specifically the energy extension service program, which is abolished and then mandated in a somewhat different form. We've spent several years getting to the point where we're about ready to go with a national energy extension program which seems to have some substantial potential for encouraging conservation and alternative supplies of energy.

I would just like you to, if you could, comment briefly on how you perceive the status of the energy extension program in this new setup, whether there is going to be a marked dislocation of the efforts that we've worked at rather diligently, or whether there is going to be a smooth transition, and does this affect the authority of the State and the Governors over the programs that are already in place in a number of States.

If I could get a little feeling for how you perceive this I might be in a little better position to make a judgment.

Mr. TATUM. Yes. Let me address it from an overview perspective for the administration, and then Nick Fedoruk, who works in the energy extension program, will handle the specifics of it.

There is no intention by the administration at any level to damage the energy extension efforts. It's seen as a cornerstone, and one of the cornerstones of the whole conservation and public information solar effort at the State and local level, and we've been very pleased with the way the initial demonstration programs worked, and we are eagerly awaiting the results of the full-blown national program in its first full year of operation. That's why we've incorporated the energy extension service program as a mandatory within the proposed Energy Management Partnership Act at the State level and provided adequate funding for the States to do that.

As I said in my earlier comments, it's our feeling that there will probably be enhanced efforts in many of the States in the extension service area because it is very popular, and it is very effective, and it reaches the citizens, which is always a very popular State activity, by most Governors.

So there is no hidden agenda for the administration to scrap it. In fact, if anything, it's to encourage that particular activity to be the cornerstone in the new program.

Mr. BROWN. May I just comment very briefly on one thing that you said?

You indicated that you would try to continue with an adequate program budget. But there has been a bone of contention for several years as to what an adequate budget would be, and I think we need to be a little more specific on that.

The reason, or at least one of the reasons, that we moved ahead on a pilot basis was because there wasn't adequate funding to really carry on a national program. I'm not sure there is funding today at the level that there should be. I don't pretend to be an expert on the subject. But I raise that as a question for further discussion.

Mr. FEDORUK. If I may comment?

The Extension Service, I believe, is well provided for in this legislation in two respects. There is a mandatory activity in the legislation

which does not have associated with it a fixed budget, but leaves to the discretion of the States the amount of money that they wish to devote for this Energy Extension Service activity.

As was pointed out already, we expect the States will make substantial use of their EMPA funding for Energy Extension Services because they have proved to be so effective, and we believe they will be equally effective in the other states in this first year of the nationwide program.

Additionally, the legislation provides for the transition from this present program to an integrated EMPA program. In the initial year or so of the development of the EMPA regulations and the State plans for EMPA, the Energy Extension Service, as well as the State energy conservation program that's funded under EPCA and ECPA would be delivering services in accordance with their present regulations.

So there is provision for continuation of these services even while the plans are being developed for the integrated EMPA program.

Mr. BROWN. The Energy Extension Service requires itself the development of certain State plans for carrying on the program.

Mr. FEDORUK. That is correct.

Mr. BROWN. Many States are in the process now of developing those plans.

You don't see any sense of confusion being created by this slightly changed requirement for State planning?

Mr. FEDORUK. I understand what you're saying.

No. In EMPA there are a number of different levels of planning, and one of those levels is the energy management plan which is required of the States. The Extension Service plan would be part of that energy management plan, and the requirements that are in the bill are the underlying factors which have influenced the regulations which direct the current planning of the Energy Extension Service.

So I think it would be a relatively simple transition for the States to move from their present plans to preparing those as part of an EMPA plan. We have had no indications from the States that they are confused about that. They seem to feel that this is quite feasible for them.

I think, additionally, there is a belief that in a sense an extension service will benefit in the EMPA legislation by becoming part of a general energy conservation and renewable resource thrust in the State, rather than being a separate program.

Mr. BROWN. I wouldn't disagree with that, as long as there is a coherent statewide plan and aggresive leadership that recognizes the close relationship, and this is of course, never easy to guarantee.

Mr. FEDORUK. I'm not sure if you are aware, but we have recently completed an evaluation of the second year of the pilot program, and we believe that that conclusively demonstrates that it is possible on a most conservative basis to look at outreach services as providing oil or its equivalent in energy savings at the rate of $8.50 a barrel, which is the best price that I have heard of recently.

This is taking into account that we're only measuring savings that are in addition to savings that would have otherwise been accomplished, and that we are calculating in that the full cost to the Government and to the client in achieveing those savings.

Mr. BROWN. I recognize that and you recognize that, and I have looked at the analysis that you've referred to, although I haven't studied it in detail, but the key to that is to have a program that actually gets down to the consumers and works with them. We've had some great success stories, showing the savings that could be developed.

My concern is that we're not handling this program through this legislation in such a way as to get diverted from the need to get a program actually out into the community where it can begin to produce these kinds of savings. And you're assuring me that that will not happen?

Mr. FEDORUK. I believe that the momentum that is already building up in this program and will continue during the next year would assure that that would be a very unlikely situation.

Mr. BROWN. I'm sure that you would agree with me that we haven't yet begun to really gain the substantial benefits that can be gained from this program. In other words, I hope you haven't dropped any funding.

Mr. FEDORUK. No. I think we're in the early stages. I would agree with that, very early.

Mr. BROWN. Thank you.

Thank you, Mr. Chairman.

Mr. OTTINGER. I want to thank the witnesses for their help today.

We'll call the hearing adjourned.

[Whereupon, at 4:25 p.m., the subcommittee hearing was adjourned.]

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